

REFERENCE TITLE: water supply; financing; districts

State of Arizona
Senate
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Second Regular Session
2006

SB 1484

Introduced by
Senators Arzberger, Aguirre, Brotherton, Mitchell; Representatives Aguirre
A, Alvarez, Brown, Cajero Bedford, Kirkpatrick, Lujan, O'Halleran;
Senators Aboud, Cannell, Cheuvront, Garcia, Hale, Miranda, Soltero;
Representatives Downing, Konopnicki, McLain, Rios P

AN ACT

AMENDING TITLE 48, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 37; AMENDING
SECTIONS 49-1201, 49-1203, 49-1221 AND 49-1241, ARIZONA REVISED STATUTES;
AMENDING TITLE 49, CHAPTER 8, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING
SECTIONS 49-1251, 49-1252, 49-1253, 49-1254 AND 49-1255; AMENDING SECTIONS
49-1261, 49-1262, 49-1264 AND 49-1265, ARIZONA REVISED STATUTES; MAKING AN
APPROPRIATION; RELATING TO WATER MANAGEMENT AND FINANCING.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 48, Arizona Revised Statutes, is amended by adding
3 chapter 37, to read:

4 CHAPTER 37

5 REGIONAL WATER MANAGEMENT AND DEVELOPMENT DISTRICTS

6 ARTICLE 1. GENERAL PROVISIONS

7 48-6401. Definitions

8 IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

9 1. "ACTIVE MANAGEMENT AREA" MEANS AN ACTIVE MANAGEMENT AREA
10 ESTABLISHED UNDER TITLE 45, CHAPTER 2, ARTICLE 2.

11 2. "CONSERVATION STANDARDS" MEANS PROGRAMS AND POLICIES THAT INCLUDE
12 LIMITS ON UNACCOUNTED FOR WATER, GOALS FOR INCREASING EFFICIENCY AND REDUCING
13 WATER WASTE AND EFFORTS TO OPTIMIZE SYSTEM CAPACITY.

14 3. "DISTRICT" MEANS A REGIONAL WATER MANAGEMENT AND DEVELOPMENT
15 DISTRICT ESTABLISHED PURSUANT TO THIS CHAPTER.

16 4. "DROUGHT CONTINGENCY MEASURES" MEANS PROGRAMS OR POLICIES THAT
17 INCLUDE DROUGHT RESPONSE STAGES RELATED TO LEVELS OF WATER SUPPLY REDUCTION,
18 MITIGATION STRATEGIES FOR EACH DROUGHT STAGE, AND ACTIONS TO IDENTIFY DROUGHT
19 VULNERABILITY TO REDUCE IMPACT TO WATER USERS.

20 5. "WATER DEVELOPMENT" MEANS THE ACQUISITION OF WATER OR RIGHTS TO
21 WATER IN THE NAME OF THE DISTRICT OR ON BEHALF OF ENTITIES LOCATED WITHIN THE
22 DISTRICT'S BOUNDARIES TO AUGMENT THE WATER SUPPLY OF THE DISTRICT CONSISTENT
23 WITH THE DISTRICT'S WATER MANAGEMENT OBJECTIVES AND WATER SUPPLY DEVELOPMENT
24 PROGRAM.

25 6. "WATER RELATED FACILITIES" MEANS FACILITIES NECESSARY TO IMPLEMENT
26 WATER MANAGEMENT OBJECTIVES AND A WATER SUPPLY DEVELOPMENT PROGRAM FOR ANY OF
27 THE FOLLOWING PURPOSES:

- 28 (a) WATER CONVEYANCE, TREATMENT OR STORAGE.
29 (b) WASTEWATER CONVEYANCE, TREATMENT OR STORAGE.
30 (c) RECLAMATION AND REUSE OF WATER.
31 (d) RECHARGE, STORAGE OR RECOVERY OF WATER.

32 48-6402. Regional water management and development district;
33 purpose

34 A REGIONAL WATER MANAGEMENT AND DEVELOPMENT DISTRICT MAY BE FORMED IN
35 AN AREA WITH DEFINITE HYDROGEOLOGICAL BOUNDARIES OUTSIDE OF AN ACTIVE
36 MANAGEMENT AREA FOR THE PURPOSE OF PROVIDING LOCAL AUTHORITY TO CONDUCT WATER
37 RESOURCES MANAGEMENT AND DEVELOPMENT ACTIVITIES WITHIN THE DISTRICT,
38 INCLUDING DEVELOPING AND MANAGING WATER SUPPLIES.

39 48-6403. District establishment; procedures; notice; hearing;
40 determinations; petitions; election

41 A. A REGIONAL WATER MANAGEMENT AND DEVELOPMENT DISTRICT SHALL BE
42 ESTABLISHED BY THE FOLLOWING PROCEDURES:

43 1. ANY PERSON WHO DESIRES TO PROPOSE THE ESTABLISHMENT OF A DISTRICT
44 AND WHO RESIDES OR OWNS REAL PROPERTY IN THE PROPOSED DISTRICT SHALL PREPARE
45 AND SUBMIT A DISTRICT IMPACT STATEMENT TO THE BOARD OF SUPERVISORS OF EACH

COUNTY IN WHICH THE DISTRICT IS LOCATED. IF THE PERSON DESIRING TO ESTABLISH A DISTRICT PURSUANT TO THIS SECTION IS UNABLE TO COMPLETE THE DISTRICT IMPACT STATEMENT, THE BOARD OF SUPERVISORS OF ANY COUNTY IN WHICH THE DISTRICT IS LOCATED MAY ASSIST IN THE COMPLETION OF THE IMPACT STATEMENT IF REQUESTED TO DO SO, IF THE BOND REQUIRED IN SUBSECTION B IS IN AN AMOUNT SUFFICIENT TO COVER ANY ADDITIONAL COST TO THE COUNTY. THE DISTRICT IMPACT STATEMENT SHALL CONTAIN AT LEAST THE FOLLOWING INFORMATION:

(a) A DESCRIPTION OF THE BOUNDARIES OF THE PROPOSED DISTRICT AND A DETAILED, ACCURATE MAP OF THE AREA TO BE INCLUDED IN THE DISTRICT. THE BOUNDARIES ARE VALID ONLY IF CERTIFIED BY THE DEPARTMENT OF WATER RESOURCES AS BASED ON APPROPRIATE HYDROGEOLOGICAL BOUNDARIES AS PRESCRIBED BY SECTION 48-6402.

(b) AN EXPLANATION OF HOW THE DISTRICT WILL CONDUCT WATER RESOURCES MANAGEMENT AND DEVELOPMENT ACTIVITIES.

(c) THE NAME OF THE PROPOSED DISTRICT, WHICH SHALL INCLUDE THE WORDS "REGIONAL WATER MANAGEMENT AND DEVELOPMENT DISTRICT".

(d) THE PROJECTED COST OF ESTABLISHING THE DISTRICT.

2. ON RECEIPT OF THE DISTRICT IMPACT STATEMENT, THE BOARD OF SUPERVISORS SHALL SET A DATE, AT LEAST THIRTY DAYS BUT NOT MORE THAN SIXTY DAYS FROM THAT DATE, FOR A HEARING ON THE IMPACT STATEMENT.

3. ON RECEIPT OF THE DISTRICT IMPACT STATEMENT, THE CLERK OF THE BOARD OF SUPERVISORS SHALL PROVIDE NOTICE OF THE STATEMENT AND ITS PURPOSE AND NOTICE OF THE DATE, HOUR AND PLACE OF THE HEARING ON THE PROPOSED DISTRICT TO THE QUALIFIED ELECTORS WITHIN THE BOUNDARIES OF THE PROPOSED DISTRICT. THE CLERK OF THE BOARD OF SUPERVISORS SHALL POST THE NOTICE IN AT LEAST THREE CONSPICUOUS PUBLIC PLACES IN THE AREA OF THE PROPOSED DISTRICT WITHIN THE COUNTY AND SHALL PUBLISH TWICE IN A DAILY NEWSPAPER OF GENERAL CIRCULATION IN THE AREA OF THE PROPOSED DISTRICT WITHIN THE COUNTY, AT LEAST TEN DAYS BEFORE THE HEARING, OR, IF NO DAILY NEWSPAPER OF GENERAL CIRCULATION EXISTS IN THE AREA OF THE PROPOSED DISTRICT WITHIN THE COUNTY, AT LEAST TWICE AT ANY TIME BEFORE THE DATE OF THE HEARING, A NOTICE SETTING FORTH THE PURPOSE OF THE IMPACT STATEMENT, THE DESCRIPTION OF THE AREA OF THE PROPOSED DISTRICT AND THE DATE, HOUR AND PLACE OF THE HEARING.

4. AT THE HEARING CALLED PURSUANT TO PARAGRAPH 2, THE BOARD OF SUPERVISORS SHALL HEAR THOSE PERSONS WHO APPEAR FOR AND AGAINST THE PROPOSED DISTRICT AND SHALL DETERMINE WHETHER THE ESTABLISHMENT OF THE DISTRICT WILL PROMOTE THE PUBLIC HEALTH, COMFORT, CONVENIENCE, NECESSITY OR WELFARE. IF THE BOARD OF SUPERVISORS DETERMINES THAT THE PUBLIC HEALTH, COMFORT, CONVENIENCE, NECESSITY OR WELFARE WILL BE PROMOTED, IT SHALL APPROVE THE DISTRICT IMPACT STATEMENT AND AUTHORIZE THE PERSONS PROPOSING THE DISTRICT TO CIRCULATE PETITIONS AS PROVIDED IN THIS SUBSECTION. THE ORDER OF THE BOARD OF SUPERVISORS IS FINAL, BUT IF THE REQUEST TO CIRCULATE PETITIONS IS DENIED, A SUBSEQUENT REQUEST FOR A SIMILAR DISTRICT MAY BE REFILED WITH THE BOARD OF SUPERVISORS AFTER SIX MONTHS FROM THE DATE OF THE DENIAL.

1 5. AFTER RECEIVING THE APPROVAL OF THE BOARD OF SUPERVISORS OF EACH
2 COUNTY IN WHICH THE PROPOSED DISTRICT IS LOCATED AS PROVIDED IN PARAGRAPH 4,
3 THE PERSON PROPOSING THE DISTRICT MAY CIRCULATE WITHIN THE PROPOSED DISTRICT
4 PETITIONS FOR SIGNATURE AND PRESENT THE PETITIONS TO THE BOARD OF SUPERVISORS
5 OF THE COUNTY IN WHICH THE PLURALITY OF THE QUALIFIED ELECTORS IN THE
6 DISTRICT RESIDES.

7 6. THE PETITIONS PRESENTED PURSUANT TO PARAGRAPH 5 SHALL:

8 (a) AT ALL TIMES, CONTAIN A DESCRIPTION OF THE BOUNDARIES OF THE
9 PROPOSED DISTRICT, A DETAILED, ACCURATE MAP OF THE PROPOSED DISTRICT, THE
10 NAME OF THE PROPOSED DISTRICT AND AN EXPLANATION OF HOW THE DISTRICT WILL
11 CONDUCT WATER RESOURCES MANAGEMENT AND DEVELOPMENT ACTIVITIES. THE MAP AND
12 BOUNDARIES OF THE DISTRICT ARE VALID ONLY IF CERTIFIED BY THE DEPARTMENT OF
13 WATER RESOURCES AS BASED ON APPROPRIATE HYDROGEOLOGICAL BOUNDARIES AS
14 PRESCRIBED BY SECTION 48-6402. NO ALTERATION OF THE PROPOSED DISTRICT MAY BE
15 MADE AFTER RECEIVING THE APPROVAL OF THE BOARD OF SUPERVISORS AS PROVIDED IN
16 PARAGRAPH 4.

17 (b) BE SIGNED BY AT LEAST TEN PER CENT OF THE QUALIFIED ELECTORS
18 RESIDING WITHIN THE BOUNDARIES OF THE PROPOSED DISTRICT.

19 7. THE BOARD OF SUPERVISORS OF THE COUNTY IN WHICH A PLURALITY OF THE
20 QUALIFIED ELECTORS IN THE DISTRICT RESIDES SHALL MAKE AN ORDER CALLING AN
21 ELECTION TO DECIDE WHETHER THE DISTRICT SHOULD BE ESTABLISHED WHEN PETITIONS
22 FOR THE ESTABLISHMENT OF THE DISTRICT CONTAINING SIGNATURES OF TEN PER CENT
23 OF THE QUALIFIED ELECTORS RESIDING WITHIN THE DISTRICT ARE FILED WITH THE
24 BOARD. IF THE BOARD OF SUPERVISORS ISSUES AN ORDER CALLING AN ELECTION, THE
25 BOARD SHALL IMMEDIATELY NOTIFY THE BOARD OF SUPERVISORS OF ANY OTHER COUNTY
26 INCLUDED IN THE PROPOSED DISTRICT OF THE DATE OF THE ELECTION. THE ELECTION
27 SHALL BE HELD AT LEAST SIXTY DAYS BUT NOT MORE THAN NINETY DAYS AFTER THE
28 DATE OF THE ORDER CALLING AN ELECTION, EXCEPT THAT ON REQUEST BY THE PERSON
29 PROPOSING THE DISTRICT, THE ELECTION SHALL BE HELD AT THE NEXT GENERAL
30 ELECTION SCHEDULED MORE THAN SIXTY DAYS AFTER THE DATE OF THE ORDER CALLING
31 THE ELECTION. THE BOARD OF SUPERVISORS SO NOTIFIED SHALL THEN CALL THE
32 ELECTION IN THAT COUNTY FOR THE SAME DATE AND FOLLOW THE PROCEDURES FOR
33 CONDUCTING GENERAL ELECTIONS IN THIS STATE. THE WORDS APPEARING ON THE
34 BALLOT SHALL BE "ESTABLISH (INSERT NAME OF PROPOSED DISTRICT) AS A REGIONAL
35 WATER MANAGEMENT AND DEVELOPMENT DISTRICT UNDER TITLE 48, CHAPTER 37, ARIZONA
36 REVISED STATUTES-YES" AND "ESTABLISH (INSERT NAME OF PROPOSED DISTRICT) AS A
37 REGIONAL WATER MANAGEMENT AND DEVELOPMENT DISTRICT UNDER TITLE 48, CHAPTER
38 37, ARIZONA REVISED STATUTES-NO".

39 8. IF A MAJORITY OF THE QUALIFIED ELECTORS VOTING ON THE ISSUE
40 APPROVES THE FORMATION OF THE DISTRICT, THE BOARD OF SUPERVISORS SHALL ORDER
41 THE ESTABLISHMENT OF THE DISTRICT. THE ORDER OF THE BOARD OF SUPERVISORS
42 ESTABLISHING THE DISTRICT IS FINAL, AND THE DISTRICT IS ESTABLISHED ON
43 ISSUANCE OF THE ORDER ESTABLISHING THE DISTRICT.

44 9. THE BOARD OF SUPERVISORS OF THE COUNTY IN WHICH A PLURALITY OF THE
45 QUALIFIED ELECTORS RESIDES SHALL APPOINT AT LEAST THREE INDIVIDUALS TO SERVE

1 AS THE ORGANIZING BOARD OF DIRECTORS FOR THE DISTRICT. THE BOARD OF
2 SUPERVISORS OF ANY OTHER COUNTY THAT IS INCLUDED IN THE PROPOSED DISTRICT
3 SHALL APPOINT AT LEAST ONE MEMBER OF THE ORGANIZING BOARD OF DIRECTORS.

4 B. THE BOARD OF SUPERVISORS OF A COUNTY IN WHICH THE PROPOSED DISTRICT
5 IS LOCATED MAY REQUIRE A REASONABLE BOND COVERING ANY PERSON WHO PROPOSES THE
6 ESTABLISHMENT OF A DISTRICT PURSUANT TO SUBSECTION A. THE PERSON SHALL FILE
7 THE BOND WITH THE BOARD AT THE START OF PROCEEDINGS UNDER THIS SECTION. THE
8 BOND SHALL BE IN AN AMOUNT SUFFICIENT TO COVER COSTS INCURRED BY THE COUNTY
9 IF THE DISTRICT IS NOT FINALLY ESTABLISHED. COUNTY COSTS COVERED BY THE BOND
10 INCLUDE ANY EXPENSE INCURRED FROM COMPLETION OF THE DISTRICT IMPACT
11 STATEMENT, PUBLISHING THE NOTICE OF HEARING AND OTHER EXPENSES REASONABLY
12 INCURRED AS A RESULT OF ANY REQUIREMENTS OF THIS SECTION, EXCEPT THE COST OF
13 ANY ELECTION HELD AT A GENERAL ELECTION. IF THE DISTRICT IS NOT FINALLY
14 ESTABLISHED, THE BOARD OF SUPERVISORS MAY COLLECT THE COSTS ALLOWED UNDER
15 THIS SUBSECTION AGAINST THE BOND.

16 C. IF A DISTRICT IS ESTABLISHED PURSUANT TO THIS SECTION, ALL COSTS
17 INCURRED BY THE COUNTY UNDER THIS SECTION, EXCEPT THE COSTS OF AN ELECTION
18 HELD AT A GENERAL ELECTION, ARE A CHARGE AGAINST THE DISTRICT. THE BOARD OF
19 SUPERVISORS SHALL PRESENT CERTIFIED BILLS COVERING THE COUNTY'S COSTS TO THE
20 BOARD OF DIRECTORS AND THE BOARD OF DIRECTORS SHALL PAY THE COSTS FROM MONIES
21 OF THE DISTRICT.

22 D. THE AREA OF A DISTRICT ESTABLISHED PURSUANT TO THIS SECTION SHALL
23 BE BASED ON HYDROGEOLOGIC CRITERIA AND MAY INCLUDE LAND FROM MORE THAN ONE
24 COUNTY.

25 E. A DISTRICT ORGANIZED PURSUANT TO THIS SECTION SHALL HAVE AN
26 ORGANIZING BOARD OF DIRECTORS TO ADMINISTER THE AFFAIRS OF THE DISTRICT UNTIL
27 A DULY CONSTITUTED BOARD OF DIRECTORS IS ELECTED AS PROVIDED IN THIS TITLE.
28 THE ORGANIZING BOARD HAS ALL THE POWERS, DUTIES AND RESPONSIBILITIES OF AN
29 ELECTED BOARD. IF A VACANCY OCCURS ON THE ORGANIZING BOARD, THE REMAINING
30 BOARD MEMBERS SHALL FILL THE VACANCY BY APPOINTING AN INTERIM MEMBER.
31 MEMBERS OF THE ORGANIZING BOARD SERVE WITHOUT COMPENSATION BUT MAY BE
32 REIMBURSED FOR ACTUAL EXPENSES INCURRED IN PERFORMING THEIR DUTIES. THE
33 ORGANIZING BOARD SHALL ELECT FROM ITS MEMBERS A CHAIRPERSON AND A CLERK.

34 48-6404. Board of directors; term; election; compensation;
35 expenses

36 A. A BOARD OF AT LEAST THREE DIRECTORS SHALL GOVERN THE DISTRICT.
37 BOARD MEMBERS SHALL BE ELECTED BY A MAJORITY OF THE QUALIFIED ELECTORS IN THE
38 DISTRICT AT A GENERAL ELECTION HELD IN EACH COUNTY IN WHICH THE DISTRICT IS
39 LOCATED. THE PETITION FOR ESTABLISHMENT OF THE DISTRICT SHALL SPECIFY THE
40 NUMBER OF DIRECTORS AND THE DATES OF THE ELECTIONS AND OF EXPIRATION OF TERMS
41 OF THE DIRECTORS. MEMBERS OF THE BOARD ARE NOT ELIGIBLE TO RECEIVE
42 COMPENSATION BUT ARE ELIGIBLE FOR REIMBURSEMENT OF EXPENSES PURSUANT TO TITLE
43 38, CHAPTER 4, ARTICLE 2.

1 B. THE BOARD OF DIRECTORS SHALL ANNUALLY ELECT FROM AMONG ITS MEMBERS
2 A CHAIRPERSON TO SERVE AS THE CHIEF EXECUTIVE OFFICER OF THE BOARD OF
3 DIRECTORS OF THE DISTRICT.

4 48-6405. Powers of regional water management and development
5 district

6 A. A REGIONAL WATER MANAGEMENT AND DEVELOPMENT DISTRICT, ACTING
7 THROUGH ITS BOARD OF DIRECTORS, SHALL:

8 1. DEVELOP WATER MANAGEMENT OBJECTIVES IN THE NAME OF THE DISTRICT
9 THAT MUST INCLUDE DROUGHT CONTINGENCY MEASURES, WATER CONSERVATION STANDARDS
10 AND WATER SUPPLY PLANS THAT PROTECT WATER SUPPLIES FOR FUTURE USE AND THAT
11 COMPLY WITH LEGISLATIVE POLICY PRESCRIBED IN SECTION 45-2101, SUBSECTION A.
12 ALL WATER MANAGEMENT OBJECTIVES MUST BE CONSISTENT WITH STATE AND FEDERAL
13 LAW.

14 2. DEVELOP A WATER SUPPLY DEVELOPMENT PROGRAM TO PLAN, CONSTRUCT,
15 OPERATE AND FINANCE INFRASTRUCTURE AND WATER DEVELOPMENT THAT MUST INCLUDE
16 DROUGHT CONTINGENCY MEASURES, WATER CONSERVATION STANDARDS AND WATER SUPPLY
17 PLANS THAT PROTECT WATER SUPPLIES FOR FUTURE USE AND THAT COMPLY WITH
18 LEGISLATIVE POLICY PRESCRIBED IN SECTION 45-2101, SUBSECTION A.

19 B. A REGIONAL WATER MANAGEMENT AND DEVELOPMENT DISTRICT, ACTING
20 THROUGH ITS BOARD OF DIRECTORS, MAY:

21 1. ENTER INTO CONTRACTS AND INTERGOVERNMENTAL AGREEMENTS PURSUANT TO
22 TITLE 11, CHAPTER 7, ARTICLE 3 AND SPEND MONEY FOR ANY WATER RELATED
23 FACILITIES PURPOSE OR WATER DEVELOPMENT PURPOSE THAT IS CONSISTENT WITH ITS
24 WATER SUPPLY DEVELOPMENT PROGRAM.

25 2. SELL, LEASE OR OTHERWISE DISPOSE OF DISTRICT PROPERTY IF THE SALE,
26 LEASE OR CONVEYANCE IS NOT A VIOLATION OF THE TERMS OF ANY CONTRACT OR BOND
27 RESOLUTION OF THE DISTRICT.

28 3. CONSTRUCT, OPERATE, MAINTAIN AND REPAIR WATER RELATED FACILITIES,
29 EXCEPT FOR FACILITIES THAT ARE CUSTOMARILY USED TO SERVE INDIVIDUAL CUSTOMERS
30 OR MUNICIPAL WATER PROVIDERS.

31 4. NEGOTIATE TO ACQUIRE IN ITS OWN NAME, OR ON BEHALF OF ENTITIES
32 LOCATED WITHIN THE DISTRICT'S BOUNDARIES, WATER AND RIGHTS TO WATER THAT MAY
33 BE LEGALLY AVAILABLE TO AUGMENT THE WATER SUPPLY OF THE DISTRICT.

34 5. SELL OR EXCHANGE ANY WATER THE DISTRICT ACQUIRES IN ITS OWN NAME TO
35 OR WITH ANY ENTITY WITHIN THE DISTRICT'S BOUNDARIES UNDER SUCH TERMS AS ARE
36 NECESSARY TO ENSURE THE USE OF THE WATER IN A MANNER CONSISTENT WITH THE
37 WATER MANAGEMENT OBJECTIVES AND WATER SUPPLY DEVELOPMENT PROGRAM.

38 6. SELL, LEASE, EXCHANGE, HOLD, SEVER, TRANSFER OR RETIRE WATER
39 RIGHTS.

40 7. NEGOTIATE AND ENTER INTO AGREEMENTS TO USE EXISTING FACILITIES TO
41 TRANSPORT WATER TO AND WITHIN THE DISTRICT.

42 8. APPLY FOR AND HOLD, IN THE NAME OF THE DISTRICT, OR ON BEHALF OF
43 ENTITIES WITHIN THE DISTRICT'S BOUNDARIES, PERMITS THAT ARE REQUIRED BY LAW
44 TO ENGAGE IN ANY OF THE ACTIVITIES DESCRIBED IN THIS CHAPTER.

1 9. ESTABLISH, CHARGE AND COLLECT USER FEES, RATES OR CHARGES FOR THE
2 USE OF WATER RELATED FACILITIES OR SERVICES, INCLUDING THE USE OF WATER
3 DEVELOPED BY THE DISTRICT.

4 10. EMPLOY STAFF, LEGAL COUNSEL AND CONSULTANTS.

5 11. ACCEPT GIFTS, GRANTS AND DONATIONS AND INCUR AND REPAY LOANS FOR
6 ANY WATER RELATED FACILITIES PURPOSE OR WATER DEVELOPMENT PURPOSE.

7 12. ENTER INTO AGREEMENTS WITH LANDOWNERS AND THE COUNTY FOR THE
8 COLLECTION OF FEES AND CHARGES FROM LANDOWNERS FOR WATER RELATED FACILITIES
9 PURPOSES OR WATER DEVELOPMENT PURPOSES, THE ADVANCE OF MONIES BY LANDOWNERS
10 FOR WATER RELATED FACILITIES PURPOSES OR WATER DEVELOPMENT PURPOSES OR THE
11 GRANTING OF REAL PROPERTY BY LANDOWNERS FOR WATER RELATED FACILITIES PURPOSES
12 OR WATER DEVELOPMENT PURPOSES.

13 13. PAY THE FINANCIAL, LEGAL AND ADMINISTRATIVE COSTS OF THE DISTRICT,
14 INCLUDING THE COST OF DISTRICT FORMATION AND THE COSTS OF ANY INITIAL
15 FEASIBILITY STUDIES INCURRED ON BEHALF OF THE DISTRICT AND BEFORE THE
16 FORMATION OF THE DISTRICT, EXCEPT THAT THOSE FEASIBILITY STUDY COSTS MAY BE
17 PAID ONLY AFTER THOSE STUDIES ARE COMPLETED.

18 14. ENTER INTO CONTRACTS, AGREEMENTS AND TRUST INDENTURES TO OBTAIN
19 CREDIT ENHANCEMENT OR LIQUIDITY SUPPORT FOR ITS BONDS AND PROCESS THE
20 ISSUANCE, REGISTRATION, TRANSFER AND PAYMENT OF ITS BONDS AND THE
21 DISBURSEMENT AND INVESTMENT OF PROCEEDS OF THE BONDS.

22 15. USE PUBLIC EASEMENTS AND RIGHTS-OF-WAY IN OR ACROSS PUBLIC
23 PROPERTY, ROADWAYS, HIGHWAYS, STREETS OR OTHER THOROUGHFARES AND OTHER PUBLIC
24 EASEMENTS AND RIGHTS-OF-WAY.

25 16. ENTER INTO GRANTS AND LOANS WITH ANY FEDERAL, STATE OR LOCAL
26 ENTITY.

27 C. IN CONNECTION WITH ANY POWER AUTHORIZED BY STATUTE, THE DISTRICT,
28 IN FURTHERANCE AND IN ACCORDANCE WITH ITS WATER MANAGEMENT OBJECTIVES, MAY:

29 1. ENTER INTO CONTRACTS.

30 2. ENTER INTO INTERGOVERNMENTAL AGREEMENTS PURSUANT TO TITLE 11,
31 CHAPTER 7, ARTICLE 3.

32 3. SUE AND BE SUED.

33 D. THE DISTRICT SHALL NOT:

34 1. ENGAGE IN THE RETAIL SALE OF WATER.

35 2. EXERCISE THE POWER OF EMINENT DOMAIN.

36 48-6406. Project approval; resolution of project intent

37 A. BEFORE CONSTRUCTING, ACQUIRING OR FINANCING ANY WATER RELATED
38 FACILITIES PROJECT OR WATER DEVELOPMENT PROJECT, THE DISTRICT BOARD SHALL
39 CAUSE A REPORT TO BE PREPARED ON THE FEASIBILITY AND BENEFITS OF THE PROJECT.
40 THE STUDY SHALL BE PREPARED BY ENGINEERS OR OTHER QUALIFIED PERSONS AND SHALL
41 INCLUDE AT LEAST THE FOLLOWING:

42 1. A DESCRIPTION OF THE WATER RELATED FACILITIES TO BE CONSTRUCTED OR
43 ACQUIRED AND ALL OTHER INFORMATION USEFUL TO UNDERSTANDING THE PROJECT.

44 2. A DESCRIPTION OF THE WATER SUPPLY TO BE DEVELOPED AND ALL OTHER
45 INFORMATION USEFUL TO UNDERSTANDING THE PROJECT.

- 1 3. A MAP SHOWING THE GENERAL LOCATION OF THE PROJECT.
- 2 4. AN ESTIMATE OF THE COST TO CONSTRUCT, ACQUIRE, OPERATE AND MAINTAIN
- 3 THE PROJECT.
- 4 5. AN ESTIMATED SCHEDULE FOR COMPLETION OF THE PROJECT.
- 5 6. A MAP OR DESCRIPTION OF THE AREA TO BE BENEFITED BY THE PROJECT.
- 6 7. A PLAN FOR FINANCING THE PROJECT, INCLUDING A PRELIMINARY ANALYSIS
- 7 OF HOW CAPITAL, OPERATION AND MAINTENANCE COSTS WILL AFFECT LANDOWNERS AND
- 8 WATER FACILITY USERS.

9 B. THE BOARD OF DIRECTORS SHALL HOLD A PUBLIC HEARING ON THE REPORT
10 PRESCRIBED IN SUBSECTION A AND SHALL PROVIDE NOTICE OF THE HEARING BY
11 PUBLICATION AT LEAST TEN DAYS IN ADVANCE IN A NEWSPAPER OF GENERAL
12 CIRCULATION IN THE COUNTY OR COUNTIES IN WHICH THE DISTRICT IS LOCATED AND BY
13 MAIL TO THE BOARD OF SUPERVISORS OF THOSE COUNTIES.

14 C. AFTER THE HEARING, THE DISTRICT BOARD MAY APPROVE, AMEND OR REJECT
15 THE REPORT PRESCRIBED IN SUBSECTION A. IF THE REPORT IS SUBSTANTIALLY
16 AMENDED, A NEW HEARING SHALL BE HELD BEFORE FINAL APPROVAL OF THE REPORT BY
17 THE DISTRICT BOARD. IF THE REPORT IS APPROVED, THE DISTRICT BOARD SHALL
18 ADOPT A RESOLUTION OF PROJECT INTENT THAT IDENTIFIES THE WATER RELATED
19 FACILITIES OR WATER SUPPLY IN THE PROJECT, THE AREAS BENEFITED, THE EXPECTED
20 METHOD OF FINANCING AND AN APPROPRIATE SYSTEM FOR PROVIDING REVENUES TO
21 OPERATE AND MAINTAIN THE PROJECT.

22 48-6407. Sources of revenue; report

23 A. THE PROJECTS TO BE CONSTRUCTED OR ACQUIRED AS SHOWN IN THE
24 RESOLUTION OF PROJECT INTENT MAY BE FINANCED FROM THE FOLLOWING SOURCES OF
25 REVENUE:

- 26 1. PROCEEDS RECEIVED FROM THE SALE OF REVENUE BONDS OF THE DISTRICT.
- 27 2. STATE OR FEDERAL GRANTS, LOANS OR CONTRIBUTIONS.
- 28 3. PRIVATE GIFTS, GRANTS OR DONATIONS.
- 29 4. USER, LANDOWNER AND OTHER FEES AND CHARGES AUTHORIZED UNDER SECTION
- 30 48-6405, SUBSECTION B, PARAGRAPH 9 OR 12.
- 31 5. PROCEEDS OF LOANS OR ADVANCES.
- 32 6. FINANCIAL AND TECHNICAL ASSISTANCE FROM THE WATER INFRASTRUCTURE
- 33 FINANCE AUTHORITY OF ARIZONA.
- 34 7. FINANCIAL AND TECHNICAL ASSISTANCE FROM THE GREATER ARIZONA
- 35 DEVELOPMENT AUTHORITY.

- 36 8. ANY OTHER MONIES AVAILABLE TO THE DISTRICT BY LAW.

37 B. FOR ANY PROJECT THAT IS PAID FOR OR FINANCED WITH THE USE OF STATE
38 MONIES FROM ANY SOURCE, THE DISTRICT BOARD SHALL SUBMIT TO THE DEPARTMENT OF
39 WATER RESOURCES THE REPORT PREPARED PURSUANT TO SECTION 48-6406, SUBSECTION A
40 TO ENSURE THE PROJECT MEETS THE REQUIREMENTS OF THIS CHAPTER.

41 48-6408. Revenue bonds; authorization

42 A. AT ANY TIME AFTER THE DISTRICT BOARD HAS ADOPTED A RESOLUTION OF
43 PROJECT INTENT, THE DISTRICT BOARD SHALL HOLD A HEARING ON THE QUESTION OF
44 AUTHORIZING THE DISTRICT BOARD TO ISSUE REVENUE BONDS OF THE DISTRICT TO

1 PROVIDE MONIES FOR ANY WATER RELATED FACILITIES PURPOSE OR WATER DEVELOPMENT
2 PURPOSE CONSISTENT WITH THE DISTRICT'S WATER SUPPLY DEVELOPMENT PROGRAM.

3 B. IF REVENUE BONDS ARE APPROVED BY RESOLUTION, THE DISTRICT BOARD MAY
4 ISSUE AND SELL REVENUE BONDS OF THE DISTRICT.

5 C. BONDS SHALL NOT BE ISSUED BY THE DISTRICT UNLESS THE BONDS RECEIVE
6 ONE OF THE FOUR HIGHEST INVESTMENT GRADE RATINGS BY A NATIONALLY RECOGNIZED
7 BOND RATINGS AGENCY OR THE DISTRICT OBTAINS CREDIT ENHANCEMENTS THAT CAUSE
8 THE RATING ON THE BONDS TO INCREASE TO ONE OF THE FOUR HIGHEST INVESTMENT
9 GRADE RATINGS.

10 D. THE DISTRICT SHALL PRESCRIBE FEES AND CHARGES AND SHALL REVISE THEM
11 WHEN NECESSARY TO GENERATE REVENUE THAT IS SUFFICIENT WITH ANY MONIES FROM
12 ANY OTHER SOURCES OF THE DISTRICT TO PAY WHEN DUE THE PRINCIPAL AND INTEREST
13 OF ALL REVENUE BONDS FOR PAYMENT OF WHICH THE REVENUE HAS BEEN PLEDGED.

14 E. IF IN THE RESOLUTION OF THE DISTRICT BOARD THE REVENUES TO BE
15 PLEDGED WERE LIMITED TO CERTAIN TYPES OF REVENUES, ONLY THOSE TYPES OF
16 REVENUES MAY BE PLEDGED AND ONLY THOSE REVENUES ARE REQUIRED TO BE
17 MAINTAINED.

18 F. THE DISTRICT MAY ISSUE AND SELL REFUNDING BONDS TO REFUND ANY
19 REVENUE BONDS OF THE DISTRICT.

20 G. A HOLDER OF REVENUE BONDS ISSUED UNDER THIS CHAPTER SHALL NOT
21 COMPEL ANY EXERCISE OF THE TAXING POWER OF ANY OTHER DISTRICT, MUNICIPALITY
22 OR COUNTY TO PAY THE BONDS OR THE INTEREST ON THE BONDS. REVENUE BONDS THAT
23 ARE ISSUED UNDER THIS CHAPTER ARE NOT A DEBT OF ANY OTHER DISTRICT,
24 MUNICIPALITY OR COUNTY, NOR IS THE PAYMENT OF REVENUE BONDS ENFORCEABLE OUT
25 OF ANY MONIES OTHER THAN THE REVENUE PLEDGED TO THE PAYMENT OF THE BONDS.

26 48-6409. Public records; open meetings

27 A. THE DISTRICT SHALL KEEP THE FOLLOWING RECORDS, WHICH SHALL BE OPEN
28 TO PUBLIC INSPECTION AS PRESCRIBED BY SECTION 39-121:

- 29 1. MINUTES OF ALL MEETINGS OF THE DISTRICT BOARD.
- 30 2. ALL RESOLUTIONS OF THE DISTRICT BOARD.
- 31 3. ACCOUNTS SHOWING ALL MONIES RECEIVED AND DISBURSED.
- 32 4. THE ANNUAL BUDGET OF THE DISTRICT.
- 33 5. ALL OTHER RECORDS THAT ARE REQUIRED TO BE MAINTAINED BY LAW.

34 B. THE DISTRICT BOARD IS A PUBLIC BODY AND IS SUBJECT TO TITLE 38,
35 CHAPTER 3, ARTICLE 3.1, RELATING TO PUBLIC MEETINGS AND PROCEEDINGS.

36 48-6410. Annual report

37 A. THE DISTRICT SHALL ISSUE AN ANNUAL REPORT THAT IS CONSISTENT WITH
38 SECTION 35-501 AND THAT INCLUDES:

- 39 1. A FINANCIAL STATEMENT THAT CONFORMS WITH GENERALLY ACCEPTED
40 ACCOUNTING PROCEDURES AND THAT INCLUDES DISTRICT REVENUES, EXPENDITURES AND
41 INDEBTEDNESS.
- 42 2. A DESCRIPTION OF THE ACTIVITIES OF THE DISTRICT RELATED TO THE
43 DESIGN, CONSTRUCTION, OPERATION AND MAINTENANCE OF DISTRICT FACILITIES.
- 44 3. A DEMONSTRATION OF THE DISTRICT'S IMPLEMENTATION OF ITS WATER
45 MANAGEMENT OBJECTIVES AND WATER SUPPLY DEVELOPMENT PROGRAM.

1 B. THE DISTRICT SHALL MAKE COPIES OF THE ANNUAL REPORT AVAILABLE FOR
2 PUBLIC INSPECTION AND SHALL FURNISH COPIES AT NO COST TO PERSONS WITHIN THE
3 DISTRICT ON REQUEST.

4 48-6411. Dissolution of district

5 A. THE DISTRICT MAY BE DISSOLVED BY THE DISTRICT BOARD BY A RESOLUTION
6 OF THE DISTRICT BOARD IF EITHER THE DISTRICT DOES NOT HAVE FINANCIAL OR
7 OPERATING OBLIGATIONS OR THE FINANCIAL AND OPERATING OBLIGATIONS OF THE
8 DISTRICT HAVE BEEN LAWFULLY ASSUMED BY SOME OTHER ENTITY.

9 B. THE DISTRICT BOARD SHALL COMPLY WITH THE CONDITIONS PRESCRIBED BY
10 SUBSECTION A AND SHALL DISSOLVE THE DISTRICT IF BOTH OF THE FOLLOWING OCCUR:

11 1. THE DISTRICT BOARD HAS CONSENTED TO COMPLY WITH THE CONDITIONS
12 PRESCRIBED BY SUBSECTION A AND EITHER:

13 (a) DISSOLUTION HAS BEEN APPROVED BY A VOTE OF THE QUALIFIED ELECTORS
14 OF THE DISTRICT VOTING IN AN ELECTION CALLED FOR THAT PURPOSE.

15 (b) THE DISTRICT BOARD DETERMINES THAT THE DISTRICT HAS BEEN INACTIVE
16 FOR AT LEAST FIVE CONSECUTIVE YEARS AND HAS NO FUTURE PURPOSE.

17 2. THE DISTRICT BOARD ADOPTS A RESOLUTION DISSOLVING THE DISTRICT AND
18 RECORDS THE RESOLUTION IN THE OFFICE OF THE COUNTY RECORDER.

19 C. THE DISTRICT BOARD MAY CALL AN ELECTION ON THE DISSOLUTION OF THE
20 DISTRICT AND SHALL CALL SUCH AN ELECTION IF REQUESTED TO DO SO IN A PETITION
21 SIGNED BY TEN PER CENT OF THE QUALIFIED ELECTORS OF THE DISTRICT.

22 D. THE ELECTION SHALL BE CALLED AND HELD IN THE SAME MANNER AS A
23 FORMATION ELECTION, EXCEPT THAT THE BALLOT SHALL CONTAIN THE WORDS
24 "DISSOLUTION, YES" AND "DISSOLUTION, NO".

25 E. THE DISTRICT SHALL NOT BE DISSOLVED IF ANY REVENUE BONDS OF THE
26 DISTRICT REMAIN OUTSTANDING UNLESS AN AMOUNT OF MONEY SUFFICIENT, TOGETHER
27 WITH INVESTMENT INCOME, TO MAKE ALL PAYMENTS DUE ON THE REVENUE BONDS EITHER
28 AT MATURITY OR PRIOR REDEMPTION HAS BEEN DEPOSITED WITH A TRUSTEE OR ESCROW
29 AGENT AND PLEDGED TO THE PAYMENT AND REDEMPTION OF THE BONDS. THE DISTRICT
30 MAY CONTINUE TO OPERATE AFTER DISSOLUTION ONLY AS NEEDED TO COLLECT MONEY AND
31 MAKE PAYMENTS ON ANY OUTSTANDING BONDS.

32 Sec. 2. Section 49-1201, Arizona Revised Statutes, is amended to read:

33 49-1201. Definitions

34 In this article, unless the context otherwise requires:

35 1. "Authority" means the water infrastructure finance authority of
36 Arizona.

37 2. "Board" means the board of directors of the authority.

38 3. "Bonds of a political subdivision" means bonds issued by a
39 political subdivision as authorized by law.

40 4. "Clean water act" means the federal water pollution control act
41 amendments of 1972 (P.L. 92-500; 86 Stat. 816), as amended by the water
42 quality act of 1987 (P.L. 100-4; 101 Stat. 7).

43 5. "Drinking water facility" means a community water system or a
44 nonprofit noncommunity water system as defined in the safe drinking water act
45 (P.L. 93-523; 88 Stat. 1660; P.L. 95-190; 91 Stat. 1393; P.L. 104-182; 110

Stat. 1613) that is located in this state. For THE purposes of this article, drinking water facility does not include water systems owned by federal agencies.

6. "Financial assistance loan repayment agreement" means an agreement to repay a loan provided to design, construct, acquire, rehabilitate or improve water or wastewater infrastructure, related property and appurtenances OR A LOAN PROVIDED TO FINANCE A WATER SUPPLY DEVELOPMENT ACTIVITY AS PRESCRIBED BY SECTION 48-6405.

7. "Indian tribe" means any Indian tribe, band, group or community that is recognized by the United States secretary of the interior and that exercises governmental authority within the limits of any Indian reservation under the jurisdiction of the United States government, notwithstanding the issuance of any patent and including rights-of-way running through the reservation.

8. "Nonpoint source project" means a project designed to implement a certified water quality management plan.

9. "Political subdivision" means:

(a) FOR THE PURPOSES OF SECTIONS 49-1221 THROUGH 49-1246 AND SECTIONS 49-1267, 49-1268 AND 49-1269, a county, city, town or special taxing district authorized by law to construct wastewater treatment facilities, drinking water facilities or nonpoint source projects.

(b) FOR THE PURPOSES OF SECTIONS 49-1251 THROUGH 49-1255, A COUNTY, CITY, TOWN OR SPECIAL TAXING DISTRICT AUTHORIZED BY LAW TO PERFORM WATER SUPPLY DEVELOPMENT ACTIVITIES.

10. "Safe drinking water act" means the federal safe drinking water act (P.L. 93-523; 88 Stat. 1660; P.L. 95-190; 91 Stat. 1393; P.L. 104-182; 110 Stat. 1613), as amended in 1996.

11. "Technical assistance loan repayment agreement" means an agreement to repay a loan provided to develop, plan and design water or wastewater infrastructure, related property and appurtenances OR A LOAN PROVIDED TO FINANCE A WATER SUPPLY DEVELOPMENT ACTIVITY. The agreement shall be for a term of not more than three years and the maximum amount that may be borrowed is limited to not more than five hundred thousand dollars.

12. "Wastewater treatment facility" means a treatment works, as defined in section 212 of the clean water act, that is located in this state and that is designed to hold, cleanse or purify or to prevent the discharge of untreated or inadequately treated sewage or other polluted waters for purposes of complying with the clean water act.

13. "WATER SUPPLY DEVELOPMENT" MEANS EITHER OF THE FOLLOWING:

(a) THE ACQUISITION OF WATER OR RIGHTS TO WATER IN THE NAME OF A POLITICAL SUBDIVISION OR ON BEHALF OF A POLITICAL SUBDIVISION TO AUGMENT THE WATER SUPPLY WITHIN THE POLITICAL SUBDIVISION, CONSISTENT WITH THE POLITICAL SUBDIVISION'S ADOPTED WATER MANAGEMENT OBJECTIVES AND WATER SUPPLY DEVELOPMENT PROGRAM ESTABLISHED PURSUANT TO SECTION 48-6405.

(b) THE DEVELOPMENT OF FACILITIES FOR ANY OF THE FOLLOWING PURPOSES:

(i) WATER CONVEYANCE, TREATMENT OR STORAGE.

(ii) WASTEWATER CONVEYANCE, TREATMENT OR STORAGE.

(iii) RECLAMATION AND REUSE OF WATER.

(iv) RECHARGE, STORAGE OR RECOVERY OF WATER.

Sec. 3. Section 49-1203, Arizona Revised Statutes, is amended to read:
49-1203. Powers and duties of authority: definition

A. The authority is a corporate and politic body and shall have an official seal that shall be judicially noticed. The authority may sue and be sued, contract and acquire, hold, operate and dispose of property.

B. The authority, through its board, may:

1. Issue negotiable ~~water-quality~~ bonds pursuant to section 49-1261 for the following purposes:

(a) To generate the state match required by the clean water act for the clean water revolving fund and to generate the match required by the safe drinking water act for the drinking water revolving fund.

(b) To provide financial assistance to political subdivisions, Indian tribes and eligible drinking water facilities for constructing, acquiring or improving wastewater treatment facilities, drinking water facilities, nonpoint source projects and other related water quality facilities and projects.

(c) TO PROVIDE FINANCIAL ASSISTANCE TO POLITICAL SUBDIVISIONS FOR WATER SUPPLY DEVELOPMENT PURPOSES PURSUANT TO SECTIONS 49-1253 AND 49-1254.

2. Provide financial assistance to political subdivisions and Indian tribes from monies in the clean water revolving fund to finance wastewater treatment projects.

3. Provide financial assistance to drinking water facilities from monies in the drinking water revolving fund to finance these facilities.

4. PROVIDE FINANCIAL ASSISTANCE TO POLITICAL SUBDIVISIONS FROM MONIES IN THE WATER SUPPLY DEVELOPMENT REVOLVING FUND TO FINANCE WATER SUPPLY DEVELOPMENT.

~~4-~~ 5. Guarantee debt obligations of, and provide linked deposit guarantees through third-party lenders to:

(a) Political subdivisions that are issued to finance wastewater treatment projects OR WATER SUPPLY DEVELOPMENT PROJECTS.

(b) Drinking water facilities that are issued to finance these facilities.

~~5-~~ 6. Provide linked deposit guarantees through third-party lenders to political subdivisions and drinking water facilities.

~~6-~~ 7. Apply for, accept and administer grants and other financial assistance from the United States government and from other public and private sources.

~~7-~~ 8. Enter into capitalization grant agreements with the United States environmental protection agency.

~~8-~~ 9. Adopt rules pursuant to title 41, chapter 6 governing the application for and awarding of wastewater treatment facility, drinking water

1 facility, ~~and~~ nonpoint source project AND WATER SUPPLY DEVELOPMENT financial
2 assistance under this ~~article~~ CHAPTER, the administration of the clean water
3 revolving fund, ~~and~~ the drinking water revolving fund AND THE WATER SUPPLY
4 DEVELOPMENT REVOLVING FUND and the issuance of water quality bonds AND WATER
5 SUPPLY DEVELOPMENT BONDS.

6 ~~9-~~ 10. Hire a director and staff for the authority.

7 ~~10-~~ 11. Contract for the services of outside advisors, attorneys,
8 consultants and aides reasonably necessary or desirable to allow the
9 authority to adequately perform its duties.

10 ~~11-~~ 12. Contract and incur obligations as reasonably necessary or
11 desirable within the general scope of authority activities and operations to
12 allow the authority to adequately perform its duties.

13 ~~12-~~ 13. Assess financial assistance origination fees and annual fees
14 to cover the reasonable costs of administering the authority and the monies
15 administered by the authority. Any fees collected pursuant to this paragraph
16 constitute governmental revenue and may be used for any purpose consistent
17 with the mission and objectives of the authority.

18 ~~13-~~ 14. Perform any function of a fund manager under the CERCLA
19 Brownfields cleanup revolving loan fund program as requested by the
20 department. The board shall perform any action authorized under this article
21 on behalf of the Brownfields cleanup revolving loan fund program established
22 pursuant to chapter 2, article 1.1 of this title at the request of the
23 department. In order to perform these functions, the board shall enter into
24 a written agreement with the department.

25 ~~14-~~ 15. Provide grants, staff assistance or technical assistance in
26 the form of loan repayment agreements and other professional assistance to
27 political subdivisions, any county with a population of less than five
28 hundred thousand persons, Indian tribes and community water systems in
29 connection with the development or financing of wastewater, drinking water,
30 water reclamation or related water infrastructure. Assistance provided under
31 a technical assistance loan repayment agreement shall be in a form and under
32 terms determined by the authority and shall be repaid not more than three
33 years after the date that the monies are advanced to the applicant. The
34 provision of technical assistance by the authority does not create any
35 liability for the authority or this state regarding the design, construction
36 or operation of any infrastructure project.

37 16. PROVIDE GRANTS FOR THE DEVELOPMENT OF WATER MANAGEMENT OBJECTIVES
38 PURSUANT TO SECTION 48-6405, SUBSECTION A AND SECTION 49-1253, SUBSECTION C
39 AND WATER SUPPLY DEVELOPMENT PLANNING, FEASIBILITY AND DESIGN ASSISTANCE TO
40 POLITICAL SUBDIVISIONS THROUGH GRANTS, STAFF ASSISTANCE OR TECHNICAL
41 ASSISTANCE. A SINGLE GRANT SHALL NOT EXCEED ONE HUNDRED FIFTY THOUSAND
42 DOLLARS. ASSISTANCE THAT IS PROVIDED UNDER A TECHNICAL ASSISTANCE LOAN
43 REPAYMENT AGREEMENT SHALL BE IN A FORM AND UNDER TERMS DETERMINED BY THE
44 AUTHORITY AND SHALL BE REPAYED NOT MORE THAN THREE YEARS AFTER THE DATE THAT
45 THE MONIES ARE ADVANCED TO THE APPLICANT. THE PROVISION OF TECHNICAL

1 ASSISTANCE BY THE AUTHORITY DOES NOT CREATE ANY LIABILITY FOR THE AUTHORITY
2 OR THIS STATE REGARDING THE DESIGN, CONSTRUCTION OR OPERATION OF ANY WATER
3 SUPPLY DEVELOPMENT PROJECT.

4 C. The board shall deposit, pursuant to sections 35-146 and 35-147,
5 any monies received pursuant to subsection B, paragraph ~~6~~ 7 of this section
6 in the appropriate fund as prescribed by the grant or other financial
7 assistance agreement.

8 D. Disbursements of monies by the water infrastructure finance
9 authority pursuant to a financial assistance agreement are not subject to
10 title 41, chapter 23.

11 E. For THE purposes of the safe drinking water act, the department of
12 environmental quality is the state agency with primary responsibility for
13 administration of this state's public water system supervision program and,
14 in consultation with other appropriate state agencies, is the lead agency in
15 establishing assistance priorities as prescribed by section 49-1243,
16 subsection A, paragraph 6 and section 49-1244, subsection B, paragraph 3.

17 F. For THE purposes of this section, "CERCLA" has the same meaning
18 prescribed in section 49-201.

19 Sec. 4. Section 49-1221, Arizona Revised Statutes, is amended to read:
20 ~~49-1221.~~ Clean water revolving fund

21 A. The clean water revolving fund is established to be maintained in
22 perpetuity consisting of:

23 1. Monies appropriated by the legislature for the clean water
24 revolving fund.

25 2. Monies received for that purpose from the United States government,
26 including capitalization grants.

27 3. Monies received from the issuance and sale of WATER QUALITY bonds
28 under section 49-1261, SUBSECTION A.

29 4. Monies received from political subdivisions or Indian tribes as
30 loan repayments, interest and penalties.

31 5. Interest and other income received from investing monies in the
32 fund.

33 6. Gifts, grants and donations received for that purpose from any
34 public or private source.

35 B. Monies in the fund are continuously appropriated and are exempt
36 from the provisions of section 35-190 relating to lapsing of appropriations.

37 Sec. 5. Section 49-1241, Arizona Revised Statutes, is amended to read:
38 ~~49-1241.~~ Drinking water revolving fund

39 A. The drinking water revolving fund is established to be maintained
40 in perpetuity consisting of:

41 1. Monies appropriated by the legislature for the drinking water
42 revolving fund.

43 2. Monies received for that purpose from the United States government,
44 including capitalization grants.

1 3. Monies received from the issuance and sale of WATER QUALITY bonds
2 under section 49-1261, SUBSECTION A.

3 4. Monies received from drinking water facilities as loan repayment
4 REPAYMENTS, interest and penalties.

5 5. Interest and other income received from investing monies in the
6 fund.

7 6. Gifts, grants and donations received for that purpose from any
8 public or private source.

9 B. Monies in the fund are continuously appropriated and are exempt
10 from the provisions of section 35-190 relating to lapsing of appropriations.

11 Sec. 6. Title 49, chapter 8, article 2, Arizona Revised Statutes, is
12 amended by adding sections 49-1251, 49-1252, 49-1253, 49-1254 and 49-1255, to
13 read:

14 49-1251. Water supply development revolving fund

15 A. THE WATER SUPPLY DEVELOPMENT REVOLVING FUND IS ESTABLISHED TO BE
16 MAINTAINED IN PERPETUITY CONSISTING OF:

17 1. MONIES APPROPRIATED BY THE LEGISLATURE FOR THE WATER SUPPLY
18 DEVELOPMENT REVOLVING FUND.

19 2. MONIES RECEIVED FOR THAT PURPOSE FROM THE UNITED STATES GOVERNMENT.

20 3. MONIES RECEIVED FROM THE ISSUANCE AND SALE OF WATER SUPPLY
21 DEVELOPMENT BONDS UNDER SECTION 49-1261, SUBSECTION B.

22 4. MONIES RECEIVED FROM POLITICAL SUBDIVISIONS AS LOAN REPAYMENTS,
23 INTEREST AND PENALTIES.

24 5. INTEREST AND OTHER INCOME RECEIVED FROM INVESTING MONIES IN THE
25 FUND.

26 6. GIFTS, GRANTS AND DONATIONS RECEIVED FOR THAT PURPOSE FROM ANY
27 PUBLIC OR PRIVATE SOURCE.

28 B. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT
29 FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

30 49-1252. Water supply development revolving fund:
31 administration

32 A. THE WATER SUPPLY DEVELOPMENT REVOLVING FUND IS ESTABLISHED. THE
33 BOARD SHALL ADMINISTER THE FUND PURSUANT TO RULE AND IN COMPLIANCE WITH THIS
34 ARTICLE.

35 B. ON NOTICE FROM THE BOARD, THE STATE TREASURER SHALL INVEST AND
36 DIVEST MONIES IN THE FUND AS PROVIDED BY SECTION 35-313, AND MONIES EARNED
37 FROM INVESTMENT SHALL BE CREDITED TO THE FUND.

38 C. THE BOARD SHALL USE THE MONIES AND OTHER ASSETS IN THE FUND SOLELY
39 FOR THE PURPOSES AUTHORIZED BY THIS ARTICLE.

40 49-1253. Water supply development revolving fund; purposes:
41 limitation

42 A. MONIES IN THE WATER SUPPLY DEVELOPMENT REVOLVING FUND MAY BE USED
43 FOR THE FOLLOWING PURPOSES:

44 1. MAKING WATER SUPPLY DEVELOPMENT LOANS TO POLITICAL SUBDIVISIONS OF
45 THIS STATE UNDER SECTION 49-1255 FOR WATER SUPPLY DEVELOPMENT PURPOSES.

1 2. MAKING LOANS OR GRANTS TO POLITICAL SUBDIVISIONS FOR WATER SUPPLY
2 DEVELOPMENT FEASIBILITY AND DESIGN ASSISTANCE.

3 3. PURCHASING OR REFINANCING DEBT OBLIGATIONS OF POLITICAL
4 SUBDIVISIONS AT OR BELOW MARKET RATE IF THE DEBT OBLIGATION WAS ISSUED FOR A
5 WATER SUPPLY DEVELOPMENT PURPOSE.

6 4. PROVIDING FINANCIAL ASSISTANCE TO POLITICAL SUBDIVISIONS TO
7 PURCHASE INSURANCE FOR LOCAL BOND OBLIGATIONS INCURRED FOR WATER SUPPLY
8 DEVELOPMENT PURPOSES.

9 5. PAYING THE COSTS TO ADMINISTER THE FUND.

10 6. PROVIDING LINKED DEPOSIT GUARANTEES THROUGH THIRD-PARTY LENDERS BY
11 DEPOSITING MONIES WITH THE LENDER ON THE CONDITION THAT THE LENDER MAKE A
12 LOAN ON TERMS APPROVED BY THE BOARD, AT A RATE OF RETURN ON THE DEPOSIT
13 APPROVED BY THE BOARD AND THE STATE TREASURER AND BY GIVING THE LENDER
14 RECOURSE AGAINST THE DEPOSIT OF LOAN REPAYMENTS THAT ARE NOT MADE WHEN DUE.

15 B. IF THE MONIES PLEDGED TO SECURE WATER SUPPLY DEVELOPMENT BONDS
16 ISSUED PURSUANT TO SECTION 49-1261, SUBSECTION B BECOME INSUFFICIENT TO PAY
17 THE PRINCIPAL AND INTEREST ON THE WATER SUPPLY DEVELOPMENT BONDS GUARANTEED
18 BY THE WATER SUPPLY DEVELOPMENT REVOLVING FUND, THE BOARD SHALL DIRECT THE
19 STATE TREASURER TO LIQUIDATE SECURITIES IN THE FUND AS MAY BE NECESSARY AND
20 SHALL APPLY THOSE PROCEEDS TO MAKE CURRENT ALL PAYMENTS THEN DUE ON THE
21 BONDS. THE STATE TREASURER SHALL IMMEDIATELY NOTIFY THE ATTORNEY GENERAL AND
22 AUDITOR GENERAL OF THE INSUFFICIENCY. THE AUDITOR GENERAL SHALL AUDIT THE
23 CIRCUMSTANCES SURROUNDING THE DEPLETION OF THE FUND AND REPORT THE FINDINGS
24 TO THE ATTORNEY GENERAL. THE ATTORNEY GENERAL SHALL CONDUCT AN INVESTIGATION
25 AND REPORT THOSE FINDINGS TO THE GOVERNOR AND THE LEGISLATURE.

26 C. MONIES IN THE WATER SUPPLY DEVELOPMENT REVOLVING FUND SHALL BE USED
27 ONLY FOR ACTIVITIES AND PROJECTS OF POLITICAL SUBDIVISIONS THAT HAVE ADOPTED
28 WATER MANAGEMENT OBJECTIVES THAT INCLUDE DROUGHT CONTINGENCY MEASURES AND
29 WATER CONSERVATION STANDARDS AS DEFINED IN SECTION 48-6401 AND WATER SUPPLY
30 PLANS THAT PROTECT WATER SUPPLIES FOR FUTURE USE AND THAT COMPLY WITH
31 LEGISLATIVE POLICY PRESCRIBED IN SECTION 45-2101, SUBSECTION A.

32 49-1254. Water supply development revolving fund financial
33 assistance; procedures

34 A. IN COMPLIANCE WITH ANY APPLICABLE REQUIREMENTS, A POLITICAL
35 SUBDIVISION MAY APPLY TO THE AUTHORITY FOR AND ACCEPT AND INCUR INDEBTEDNESS
36 AS A RESULT OF A LOAN OR ANY OTHER FINANCIAL ASSISTANCE PURSUANT TO SECTION
37 49-1253, SUBSECTION A, PARAGRAPHS 1, 2, 3 AND 4 FROM THE WATER SUPPLY
38 DEVELOPMENT REVOLVING FUND FOR WATER SUPPLY DEVELOPMENT PURPOSES.

39 B. THE BOARD SHALL:

40 1. PRESCRIBE A SIMPLIFIED FORM AND PROCEDURE TO APPLY FOR AND APPROVE
41 ASSISTANCE.

42 2. ESTABLISH BY RULE CRITERIA BY WHICH ASSISTANCE WILL BE AWARDED,
43 INCLUDING REQUIREMENTS FOR LOCAL PARTICIPATION IN PROJECT COSTS, IF DEEMED
44 ADVISABLE. THE CRITERIA SHALL INCLUDE A DETERMINATION OF THE ABILITY OF THE
45 APPLICANT TO REPAY A LOAN ACCORDING TO THE TERMS AND CONDITIONS ESTABLISHED

BY THIS SECTION. AT THE OPTION OF THE BOARD, THE EXISTENCE OF A CURRENT INVESTMENT GRADE RATING ON EXISTING DEBT OF THE APPLICANT THAT IS SECURED BY THE SAME REVENUES TO BE PLEDGED TO SECURE REPAYMENT UNDER THE LOAN REPAYMENT AGREEMENT CONSTITUTES EVIDENCE REGARDING ABILITY TO REPAY A LOAN.

3. DETERMINE THE ORDER AND PRIORITY OF PROJECTS ASSISTED UNDER THIS SECTION BASED ON THE MERITS OF THE APPLICATION WITH RESPECT TO WATER SUPPLY DEVELOPMENT ISSUES. PRIORITY SHALL BE GIVEN TO PROJECTS THAT ON A REGIONAL LEVEL PROVIDE FOR DROUGHT CONTINGENCY MEASURES AND WATER CONSERVATION STANDARDS AS DEFINED IN SECTION 48-6401 AND WATER SUPPLY PLANS THAT PROTECT WATER SUPPLIES FOR FUTURE USE AND THAT COMPLY WITH LEGISLATIVE POLICY PRESCRIBED IN SECTION 45-2101, SUBSECTION A.

C. THE AUTHORITY SHALL REVIEW ON ITS MERITS EACH APPLICATION RECEIVED AND SHALL INFORM THE APPLICANT OF THE BOARD'S DETERMINATION WITHIN NINETY DAYS AFTER RECEIPT OF A COMPLETE AND CORRECT APPLICATION. IF THE APPLICATION IS NOT APPROVED, THE BOARD SHALL NOTIFY THE APPLICANT, STATING THE REASONS. IF THE APPLICATION IS APPROVED, THE BOARD MAY CONDITION THE APPROVAL ON ASSURANCES THE BOARD DEEMS NECESSARY TO ENSURE THAT THE FINANCIAL ASSISTANCE WILL BE USED ACCORDING TO LAW AND THE TERMS OF THE APPLICATION.

49-1255. Water supply development revolving fund financial assistance; terms

A. FINANCIAL ASSISTANCE FROM THE WATER SUPPLY DEVELOPMENT REVOLVING FUND SHALL BE EVIDENCED BY A FINANCIAL ASSISTANCE AGREEMENT OR BONDS OF A POLITICAL SUBDIVISION, DELIVERED TO AND HELD BY THE AUTHORITY.

B. A LOAN UNDER THIS SECTION:

1. SHALL BE REPAYED IN NOT TO EXCEED THIRTY YEARS FROM THE DATE INCURRED.

2. SHALL REQUIRE THAT INTEREST PAYMENTS BEGIN NOT LATER THAN THE NEXT DATE THAT EITHER PRINCIPAL OR INTEREST MUST BE PAID BY THE AUTHORITY TO THE HOLDERS OF ANY OF THE AUTHORITY'S BONDS THAT PROVIDED FUNDING FOR THE LOAN. IF THE LOAN IS FOR CONSTRUCTION OF WATER SUPPLY DEVELOPMENT FACILITIES, THE AUTHORITY MAY PROVIDE THAT LOAN INTEREST ACCRUING DURING CONSTRUCTION AND ONE YEAR BEYOND COMPLETION OF THE CONSTRUCTION BE CAPITALIZED IN THE LOAN.

3. SHALL BE CONDITIONED ON THE ESTABLISHMENT OF A DEDICATED REVENUE SOURCE FOR REPAYING THE LOAN.

4. SHALL BE CONDITIONED ON THE APPROVAL OF THE WATER SUPPLY DEVELOPMENT PLAN BY THE DEPARTMENT OF WATER RESOURCES AS PRESCRIBED IN SECTION 48-6407, SUBSECTION B.

C. THE AUTHORITY SHALL PRESCRIBE THE RATE OF INTEREST ON LOANS MADE UNDER THIS SECTION, BUT THE RATE SHALL NOT EXCEED THE PREVAILING MARKET RATE FOR SIMILAR TYPES OF LOANS. THE AUTHORITY MAY ALSO PROVIDE FOR FLEXIBLE INTEREST RATES AND INTEREST FREE LOANS UNDER RULES ADOPTED BY THE AUTHORITY. ALL FINANCIAL ASSISTANCE AGREEMENTS OR BONDS OF A POLITICAL SUBDIVISION SHALL CLEARLY SPECIFY THE AMOUNT OF PRINCIPAL AND INTEREST AND ANY REDEMPTION PREMIUM THAT IS DUE ON ANY PAYMENT DATE.

1 D. THE APPROVAL OF A LOAN IS CONDITIONED ON A WRITTEN COMMITMENT BY
 2 THE POLITICAL SUBDIVISION TO COMPLETE ALL APPLICABLE REVIEWS AND APPROVALS
 3 AND TO SECURE ALL REQUIRED PERMITS IN A TIMELY MANNER.

4 E. A LOAN MADE TO A POLITICAL SUBDIVISION UNDER THIS SECTION MAY BE
 5 SECURED ADDITIONALLY BY AN IRREVOCABLE PLEDGE OF THE SHARED STATE REVENUES
 6 DUE TO THE POLITICAL SUBDIVISION FOR THE DURATION OF THE LOAN AS PRESCRIBED
 7 BY A RESOLUTION OF THE AUTHORITY'S BOARD. IF THE AUTHORITY'S BOARD REQUIRES
 8 AN IRREVOCABLE PLEDGE OF THE SHARED STATE REVENUES FOR FINANCIAL ASSISTANCE
 9 LOAN REPAYMENT AGREEMENTS, THE AUTHORITY'S BOARD SHALL ENTER INTO AN
 10 INTERCREDITOR AGREEMENT WITH THE GREATER ARIZONA DEVELOPMENT AUTHORITY TO
 11 DEFINE THE ALLOCATION OF SHARED STATE REVENUES IN RELATION TO INDIVIDUAL
 12 BORROWERS. IF A PLEDGE IS REQUIRED AND A POLITICAL SUBDIVISION FAILS TO MAKE
 13 ANY PAYMENT DUE TO THE AUTHORITY UNDER ITS LOAN REPAYMENT AGREEMENT OR BONDS,
 14 THE AUTHORITY SHALL CERTIFY TO THE STATE TREASURER AND NOTIFY THE GOVERNING
 15 BODY OF THE DEFAULTING POLITICAL SUBDIVISION THAT THE POLITICAL SUBDIVISION
 16 HAS FAILED TO MAKE THE REQUIRED PAYMENT AND SHALL DIRECT A WITHHOLDING OF
 17 STATE SHARED REVENUES AS PRESCRIBED IN SUBSECTION F OF THIS SECTION. THE
 18 CERTIFICATE OF DEFAULT SHALL BE IN THE FORM DETERMINED BY THE AUTHORITY,
 19 EXCEPT THAT THE CERTIFICATE SHALL SPECIFY THE AMOUNT REQUIRED TO SATISFY THE
 20 UNPAID PAYMENT OBLIGATION OF THE POLITICAL SUBDIVISION.

21 F. ON RECEIPT OF A CERTIFICATE OF DEFAULT FROM THE AUTHORITY, THE
 22 STATE TREASURER, TO THE EXTENT NOT EXPRESSLY PROHIBITED BY LAW, SHALL
 23 WITHHOLD THE MONIES DUE TO THE DEFAULTING POLITICAL SUBDIVISION FROM THE NEXT
 24 SUCCEEDING DISTRIBUTION OF MONIES PURSUANT TO SECTION 42-5029. IN THE CASE
 25 OF A CITY OR TOWN, THE STATE TREASURER SHALL ALSO WITHHOLD FROM THE MONIES
 26 DUE TO THE DEFAULTING CITY OR TOWN FROM THE NEXT SUCCEEDING DISTRIBUTION OF
 27 MONIES PURSUANT TO SECTION 43-206 THE AMOUNT SPECIFIED IN THE CERTIFICATE OF
 28 DEFAULT AND SHALL IMMEDIATELY DEPOSIT THE MONIES IN THE FUND. THE STATE
 29 TREASURER SHALL CONTINUE TO WITHHOLD AND DEPOSIT MONIES UNTIL THE AUTHORITY
 30 CERTIFIES TO THE STATE TREASURER THAT THE DEFAULT HAS BEEN CURED. THE STATE
 31 TREASURER SHALL NOT WITHHOLD ANY AMOUNT THAT IS NECESSARY TO MAKE ANY
 32 REQUIRED DEPOSITS THEN DUE FOR THE PAYMENT OF PRINCIPAL AND INTEREST ON BONDS
 33 OF THE POLITICAL SUBDIVISION IF SO CERTIFIED BY THE DEFAULTING POLITICAL
 34 SUBDIVISION TO THE STATE TREASURER AND THE AUTHORITY. THE POLITICAL
 35 SUBDIVISION SHALL NOT CERTIFY DEPOSITS AS NECESSARY FOR PAYMENT FOR BONDS
 36 UNLESS THE BONDS WERE ISSUED BEFORE THE DATE OF THE LOAN REPAYMENT AGREEMENT
 37 AND THE BONDS WERE SECURED BY A PLEDGE OF DISTRIBUTION MADE PURSUANT TO
 38 SECTIONS 42-5029 AND 43-206.

39 Sec. 7. Section 49-1261, Arizona Revised Statutes, is amended to read:

40 49-1261. Water quality bonds; water supply development bonds

41 A. The authority, through the board of directors, may issue
 42 negotiable water quality bonds in a principal amount that in its opinion is
 43 necessary to provide sufficient monies for financial assistance under ~~this~~
 44 ~~chapter~~ SECTIONS 49-1221 THROUGH 49-1246, maintaining sufficient reserves to
 45 secure the bonds, to pay the necessary costs of issuing, selling and

redeeming the bonds and to pay other expenditures of the authority incidental to and necessary and convenient to carry out the purposes of this article.

~~B.~~ THE AUTHORITY, THROUGH THE BOARD OF DIRECTORS, MAY ISSUE NEGOTIABLE WATER SUPPLY DEVELOPMENT BONDS IN A PRINCIPAL AMOUNT THAT IN ITS OPINION IS NECESSARY TO PROVIDE SUFFICIENT MONIES FOR FINANCIAL ASSISTANCE UNDER SECTIONS 49-1251 THROUGH 49-1255, MAINTAINING SUFFICIENT RESERVES TO SECURE THE BONDS, TO PAY THE NECESSARY COSTS OF ISSUING, SELLING AND REDEEMING THE BONDS AND TO PAY OTHER EXPENDITURES OF THE AUTHORITY INCIDENTAL TO AND NECESSARY AND CONVENIENT TO CARRY OUT THE PURPOSES OF THIS ARTICLE.

~~B.~~ C. The board must authorize the bonds by resolution. The resolution shall prescribe:

1. The rate or rates of interest and the denominations of the bonds.
2. The date or dates of the bonds and maturity.
3. The coupon or registered form of the bonds.
4. The manner of executing the bonds.
5. The medium and place of payment.
6. The terms of redemption.

~~C.~~ D. The bonds shall be sold at public or private sale at the price and on the terms determined by the board. All proceeds from the issuance of bonds shall be deposited in the appropriate accounts of the funds administered by the board.

~~D.~~ E. The board shall publish a notice of its intention to issue bonds under this article for at least five consecutive days in a newspaper published in this state. The last day of publication must be at least ten days before issuing the bonds. The notice shall state the amount of the bonds to be sold and the intended date of issuance. A copy of the notice shall be hand delivered or sent, by certified mail, return receipt requested, to the director of the department of administration on or before the last day of publication.

~~E.~~ F. To secure any bonds authorized by this section, the board by resolution may:

1. Provide that bonds issued under this section may be secured by a first lien on all or part of the monies paid into the appropriate account or subaccount of the funds administered by the authority.
2. Pledge or assign to or in trust for the benefit of the holder or holders of the bonds any part or appropriate account or subaccount of the monies in the funds as is necessary to pay the principal and interest of the bonds as they come due.
3. Set aside, regulate and dispose of reserves and sinking funds.
4. Provide that sufficient amounts of the proceeds from the sale of the bonds may be used to fully or partly fund any reserves or sinking funds set up by the bond resolution.
5. Prescribe the procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, the amount of bonds the holders of which must consent to and the manner in which consent may be given.

6. Provide for payment from the proceeds of the sale of the bonds of all legal and financial expenses incurred by the board in issuing, selling, delivering and paying the bonds.

7. Do any other matters that in any way may affect the security and protection of the bonds.

~~F.~~ G. The members of the board or any person executing the bonds are not personally liable for the payment of the bonds. The bonds are valid and binding obligations notwithstanding that before the delivery of the bonds any of the persons whose signatures appear on the bonds cease to be members of the board. From and after the sale and delivery of the bonds, they are incontestable by the board.

~~G.~~ H. The board, out of any available monies, may purchase bonds, which may be canceled, at a price not exceeding either of the following:

1. If the bonds are then redeemable, the redemption price then applicable plus accrued interest to the next interest payment date.

2. If the bonds are not then redeemable, the redemption price applicable on the first date after purchase on which the bonds become subject to redemption plus accrued interest to that date.

Sec. 8. Section 49-1262, Arizona Revised Statutes, is amended to read:

49-1262. Water quality bonds; water supply development bonds; purpose

A. Water quality bonds may be issued to provide financial assistance PURSUANT TO SECTIONS 49-1221 THROUGH 49-1246, to provide matching state monies for the clean water revolving fund and the drinking water revolving fund, to increase the capitalization of the clean water revolving fund and to increase the capitalization of the drinking water revolving fund to accomplish the purposes stated in sections 49-1223 and 49-1243. These bonds may be secured by any monies received or to be received in the clean water revolving fund and the drinking water revolving fund. Amounts in the clean water revolving fund may be used to cure defaults on loans made from the drinking water revolving fund and amounts in the drinking water revolving fund may be used to cure defaults on loans made from the clean water revolving fund to the extent permitted by applicable federal law.

B. WATER SUPPLY DEVELOPMENT BONDS MAY BE ISSUED TO PROVIDE FINANCIAL ASSISTANCE UNDER SECTIONS 49-1251 THROUGH 49-1255 AND TO INCREASE THE CAPITALIZATION OF THE WATER SUPPLY DEVELOPMENT REVOLVING FUND TO ACCOMPLISH THE PURPOSES STATED IN SECTION 49-1253. THESE BONDS MAY BE SECURED BY ANY MONIES RECEIVED OR TO BE RECEIVED IN THE WATER SUPPLY DEVELOPMENT REVOLVING FUND. AMOUNTS IN THE WATER SUPPLY DEVELOPMENT REVOLVING FUND MAY BE USED TO CURE DEFAULTS ON LOANS MADE FROM THE WATER SUPPLY DEVELOPMENT REVOLVING FUND TO THE EXTENT OTHERWISE PERMITTED BY LAW.

~~B.~~ C. Any pledge made under this article is valid and binding from the time when the pledge is made. The monies pledged and received to be placed in the appropriate fund are immediately subject to the lien of the pledge without any future physical delivery or further act, and any such lien

of any pledge is valid or binding against all parties having claims of any kind in tort, contract or otherwise against the board regardless of whether the parties have notice of the lien. The official resolution or trust indenture or any instrument by which this pledge is created, when placed in the board's records, is notice to all concerned of the creation of the pledge, and those instruments need not be recorded in any other place.

~~C.~~ D. The bonds issued under this section, their transfer and the income they produce are exempt from taxation by this state or by any political subdivision of this state.

Sec. 9. Section 49-1264, Arizona Revised Statutes, is amended to read:

49-1264. Certification of bonds by attorney general

The board may submit any ~~water quality~~ bonds issued under this chapter to the attorney general after all proceedings for their authorization have been completed. On submission the attorney general shall examine and pass on the validity of the bonds and the regularity of the proceedings. If the proceedings comply with this article, and if the attorney general determines that, when delivered and paid for, the bonds will constitute binding and legal obligations of the board, the attorney general shall certify on the back of each bond, in substance, that it is issued according to the constitution and laws of this state.

Sec. 10. Section 49-1265, Arizona Revised Statutes, is amended to read:

49-1265. Water quality bonds and water supply development bonds as legal investments

Water quality bonds AND WATER SUPPLY DEVELOPMENT BONDS issued under this chapter are securities in which public officers and bodies of this state and of municipalities and political subdivisions of this state, all companies, associations and other persons carrying on an insurance business, all financial institutions, investment companies and other persons carrying on a banking business, all fiduciaries and all other persons who are authorized to invest in obligations of this state may properly and legally invest. The bonds are also securities that may be deposited with public officers or bodies of this state and municipalities and political subdivisions of this state for purposes that require the deposit of state bonds or obligations.

Sec. 11. Appropriation; purpose; exemption

A. The sum of \$_____ is appropriated from the state general fund in fiscal year 2006-2007 to the water supply development revolving fund established by section 49-1251, Arizona Revised Statutes, as added by this act, for the purposes prescribed in section 49-1253, Arizona Revised Statutes, as added by this act.

B. The appropriation made in subsection A of this section is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.